



**Islamic Republic Of Afghanistan
Kabul Municipality**



BUDGETING STANDARD OPERATING PROCEDURE

H.E Mohammad Yonus Nawandesh

Signature: _____



Islamic Republic Of Afghanistan Kabul Municipality



Acronyms

ANDS	Afghanistan National Development Strategy
CoA	Chart of Accounts
DG	Director General
DM	Deputy Mayor
FMIS	Financial Management Information System
KM	Kabul Municipality
MoF	Ministry of Finance
SoP	Standard Operating Procedures



Islamic Republic Of Afghanistan Kabul Municipality



Definitions: The following definitions apply to this Standard Operating Procedure:

Budget: the document through which government or any organization presents its expenditure, revenue, taxation and financing plans for the coming year.

Approved budget: the budget approved for expenditure by legislation and stakeholders for budgetary units to be used during one year, for Kabul Municipality MoF budget is approved by Parliament and the internal budget is approved by Mayor and MoF.

Expenditures: An expense or expenditure is an outflow of money to another person or group to pay for an item or service. For example staff salaries, travel allowances, construction of roads and so on.

Allotments: an allotment is a portion of the budget allocated by the Budget Department of MoF or the Budget Department of Kabul Municipality through the B27 form, which authorizes the expending entity for the expenditure. The allotment is issued by four quarters in major object codes level (21, 22 and 25) for the operating budget but for the development budget it is issued according to payment schedule/ contract of each project.

Budget year: the next fiscal year is called the budget year

Operating budget: Operating budgets considers the recurrent and operational costs such as salaries, utilities, maintenance and other routine activities. It has three major object codes of wages and salaries, goods and services and acquisition of assets. Operating budget is usually determined by closely reviewing existing costs and using known facts or assumptions to estimate future costs.

Development Budget: is the budget considered for funding of capital and infrastructure projects.

Applicability: According to Kabul Municipality budget policy the Standard Operating Procedure applies to all Kabul Municipality central and district offices and will be applied for both MoF and KM internal budget.

The Kabul Municipality has the following two different budgeting processes which starts in different statues of a fiscal year, however it is mentioned in budget policy that these processes should be started in the same time of the year:

- a) Development budget funded by Ministry of Finance, it follows the MoF procedure and process/time table
- b) The KM internal budget funded by revenue which is also divided to development budget and operating budget, the process will start according approved time table by DM for Finance and Administration.

Procedures:

The following procedure should be applied for both MoF and KM internal budget

1. According to KM budget policy all KM's expenditure funded by MoF and KM's revenue should be prepared in line with government budget reforms in program budget format.



Islamic Republic Of Afghanistan Kabul Municipality



2. The first step in preparing KM operating and development budget, KM should create a Budget Committee comprising of DM Finance and Administration, DG Administration and Finance, DG Revenue, DG Policy and Coordination, operating and development budget managers and any other assigned functionaries by the Mayor.
3. The KM's Revenue Directorate will prepare the Revenue Projection Plan for preparing next year budget. The Revenue Projection Plan will be presented to the Mayor for approval.
4. The Mayor / Deputy Mayor review the details of the Revenue Projection Plan and compare it to previous budgets – revenues & expenditures.
 - The Mayor will approve or amend the projected Revenue Projection Plan and sends copies of the final approved Revenue Projection Plan to (a) the Policy and Coordination Directorate and (b) Administration and Finance Directorate.
5. The KM's Budget Committee will improve its budget processes and will use the budget as a tool to translate the KM's priorities into programs, projects and services in order to meet the needs of its citizens.
6. The Budget Department in coordination with the Budget Team/Committee will review the program budget structure and prepare an updated program budget structure for next year budget plan.
7. The related program and sub program managers are responsible to provide the narratives of programs and sub programs i.e. program/sub program objectives, achievements, relation to Afghanistan National Development Strategy (ANDS) benchmarks and output and outcome indicators in accordance to KM strategy and ANDS related targets.
8. As the performance indicators are the most important part in the program budget reform, the policy and coordination directorate will prepare the performance indicators for infrastructure projects and the other program and sub program managers will prepare the related output and outcome indicators for their programs
9. The above narratives, performance indicators and other required information should be provided by program managers and Policy and Coordination Directorate for the Budget Department to complete the budget submission forms. the narratives and performance indicators have to be approved by KM sr. management
10. **The KM's development budget (funded by MoF)** preparation will start in accordance to MoF budget circulars up on receiving MoF budget circular one and two.
11. The Policy and Coordination Directorate has the responsibility to provide a list of development projects for the Ministry of Economy, the Ministry of Finance and will defend from KM's projects propriety/importance in the mentioned ministry for approval and found sources in accordance to MoF budget time table and procedures



Islamic Republic Of Afghanistan Kabul Municipality



12. The Policy and Coordination Directorate will provide the finalized list of projects, and related information, technical information, costing, duration and other required information for KM's Budget Department for further processing and budget preparation.
13. According to MoF budget time table and circular one and two the Development Budget Department of the Administrative and Finance Directorate will prepare development budget (budget deficit) for MoF funding and provide it for KM budget committee and senior management for review and approval
14. Prior to sending the proposed budget to MoF, Mayor/Deputy Mayor and Budget Committee will review and approve it. The proposed budget with other related documents and proposals (B4 Forms) will be officially sent through DM of Finance and Administration to MoF for further process and funding.
15. Deputy Mayor for Finance and Administration, Deputy Mayor Technical, Development Budget Department and DG of Policy and Coordination Directorate will participate in MoF budget hearing meeting to defense KM's development budget.
16. The KM's Budget Department will provide to MoF budget hearing meeting all the revenue and expenditure reports for both KM internal budget and MoF funded budget. the Budget Department will also prepare the next year budget presentation for budget hearing meeting (if required)
17. The Development Budget Department will revise the budget according to MoF budget hearing meeting decisions and send the revised budget back to MoF.
18. **The KM internal budget** process will start according to KM budget time table through sending an internal budget circular by budget department to all districts and central directorates to propose the Tashkeel, requirements and projects for the next three years.
19. Districts and central directorates will send their projects list to the Policy and Coordination Directorate and their Tashkeel and operating budget requirements to the Budget Department of KM.
20. The Policy and Coordination Directorate will study the requirements, prioritize the list of projects and provide it for Mayor's approval.
21. In the same time the Budget Committee will decide on distribution of revenue (allocations) for development and operating budget according to 55% and 45% according to the law.
22. The Mayor and other KM Sr. management together with Budget Committee will finalize the list of projects for internal budget, the approved list of projects will be sent through the Policy and Coordination Directorate to the Budget Department for next year budget preparations.
23. The Policy and Coordination Directorate will do the costing of all development projects



Islamic Republic Of Afghanistan Kabul Municipality



24. The Administration and Finance Directorate prepares the proposed Tashkiel for Mayor's approval to include potential staffing changes, after Mayor Approval the Tashkeel will be sent to Tashkeel office of the president for approval
25. The Mayor will receive either an approved Tashkiel or amended Tashkiel. The Tashkeel will be forwarded to the Administration Directorate for adjusting/ amendments to the budget according to approved Tashkeel
26. The Administration and Finance Directorate will do the costing and preparation of the operating budget (Code 21- wages & Salaries and Code 22 – Goods & Services) for preparing next year budget.
27. After receiving the final and approved list of the project the Administration and Finance Directorate will prepare final draft operating and development budget using recommendations from Policy and Coordination Directorate and Budget Committee in program budget format.
28. The Administration and Finance Directorate sends final draft Budget to the Administration Council (Mayor, 3 Deputy Mayors and all Directorate Generals).
29. Administration Council will discuss, amend and approve the Final Budget for Operating and Development (code 25- Projects/assets) budget. Then the Administration and Finance Directorate sends the proposed Final Budget (for review) to the President Office.
30. The Administration and Finance Directorate sends the final budget to Ministry of Finance for review, record and approval.
31. The Ministry of Finance reviews and either will approve the Budget as proposed or recommends changes to the Budget. The budget will be sent back to the Mayor's Office.
32. The Mayor's Office receives the approved or amended Budget and sends it to the Administration and Finance Directorate and Policy and Coordination Directorate for implementation or revision.
 - If approved by the Ministry of Finance, the Administration and Finance Directorate begins implementation steps including issuing allotments for budget executions, and the Policy and Coordination Directorate begins to prepare technical documents of development projects.
 - If amendments to the budget are requested by the Ministry of Finance, the Administration and Finance Directorate revises the budget. Budget is sent back to the Ministry of Finance for final approval. When approved, the Administration and Finance Directorate will begin with the implementation steps including issuing allotments for budget executions.
33. The approved budget will be uploaded/recorded to FMIS by KM's Budget Department
34. For MoF funded budget, When MoF funded budget is approved by Parliament, the budget execution process will start. According to the contract/project implementation



Islamic Republic Of Afghanistan Kabul Municipality



phases the Policy and Coordination Directorate will ask the Budget Department for allotments. The Development Budget Department will prepare allotment forms (B27) through FMIS signed by the DM Finance and Administration and send it to MoF for getting allotments

35. For KM internal budget, the Budget Department will issue allotment form (B27) through FMIS for accounting department (code 21- wages and salaries, code 22- goods and services, code 25 development project) for their expenditure.
36. Any budget adjustment during the year should not exceed the approved budget. if any project or unplanned expenditure happens during the year it should follow official adjustment of budget department through B23 adjustment form and Mayor/Deputy Mayor Finance and Administration approval. No expenditure will be processed for any project/ budget item which is not included in the approved budget (even by KM sr. management) unless it is already adjustment approval of the Budget Department, Mayor or Deputy Mayor
37. In addition to approved budget if any new expenditure proposed during the year (for example salary increase) the found source should be defined by Mayor and the Revenue Department. If it is as extra source it should be considered as an annex to the current year budget.
38. In accordance to MoF CoA the KM's CoA classification codes for expenditure and revenue will be prepared by the Budget Department and the Revenue Directorate in their order.

PREPARED BY:

APPROVED BY:

DG Administration and Finance

Mohammad Yonus Nawandesh
Kabul City Mayor



Islamic Republic Of Afghanistan

Kabul Municipality



Task			1391 -92 (it is for each fiscal year)													
	Activity	Progress	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	
Budget Planning	Establishment of a budget implementation team to start working on budget Planning & Preparation															
	To start working on MoF Development Budget preparation with the receipt of MoF Budget Circular No. 1 dated April 10, 2011, costing of baseline (existing operations) and new high priority spending initiatives.															
	Reviewing and Prioritizing the on-going and new activities by Mayor and Budget Committee & sending it to MoF by May 22, 2011.															
	Preparation/Developing of revenue projection plan															
	Reviewing current program budget structure (Program budgeting), developing program narratives and performance indicators based on actual resources.															
	Study the requirements through sending an internal budget circular to all directorates and districts															
	Start a bottom up/ participatory budgeting system (Public Consultation)															
	Prioritizing development project list for three years (getting approval of Mayor)															
	Detailed costing of Internal Budget and MoF funded Budget based on KM revenue plan and MoF budget Circular No. 2 dated August 15 , 2011 and program budget preparation in one format for both KM internal Budget and MoF funded Budget.															
	Preparing draft budget for 1391															
Budget Decision Making	Present the draft budget to Mayor for approval and decision Making															
	Submitting the first draft of budget submission to MoF on Oct 14 , 2011 according to MoF time table															
	Attending the budget hearing meeting															
	Budget revisions according to MoF budget hearing decisions															
Budget execution	Uploading approved budget to FMIS															
	Issue of allotments by program and Economic Categories															